

Message Text

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51

ACTION NEA-10

INFO OCT-01 EUR-12 EA-06 ISO-00 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01

H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 /108 W

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R 201220Z MAY 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1286

INFO AMEMBASSY ALGIERS

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

C O N F I D E N T I A L JIDDA 3578

BEIRUT PASS BAGHDAD

E.O.: 11652: GDS

TAGS: ENRG, SA, US

SUBJ: MINIMUM SAUDI OIL PRODUCTION

1. HISHAM NAZER, MINISTER OF STATE FOR PLANNING, TOLD
THE AMBASSADOR MAY 18 THAT THE SAUDI GOVERNMENT HAD EXAMINED
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CAREFULLY ITS REQUIREMENTS AND HAD CONCLUDED THAT IT WOULD

BE ABLE TO CARRY ON ORDINARY GOVERNMENT OPERATIONS PLUS A "SUBSTANTIAL" DEVELOPMENT PROGRAM WITH OIL PRODUCTION OF LESS THAN 3 MILLION BBLS/DAY. HE SAID THIS WOULD MEAN CUTTING OUT ALL FOREIGN ASSISTANCE BUT THE COUNTRY'S WELL-BEING AND PROGRESS WOULD NOT BE MATERIALLY AFFECTED. HE SAID THAT IF SAUDI ARABIA WISHED TO SLOW DOWN ITS DEVELOPMENT PROGRAMS OR DRAW DOWN ITS CURRENCY RESERVES, THIS PRODUCTION FIGURE COULD BE SUBSTANTIALLY LOWER. (N.B.: AT CURRENT PRICES, 3 MILLION BBLS/DAY WOULD PROVIDE \$11 BILLION A YEAR COMPARED WITH ACTUAL EXPENDITURE IN 1974 OF BETWEEN \$5-7 BILLION.)

2. SAUDI PRODUCTION IS NOW RUNNING AROUND 6 MILLION, ABOUT 5 MILLION BARRELS A DAY UNDER CAPACITY. IF HISHAM NAZER'S FIGURES ARE CORRECT, THE PRODUCTION COULD BE CUT BACK BY ANOTHER 3 MILLION BBLS/DAY. IF THE PLANNED EXPANSION TO 16 MILLION BBLS/DAY BY 1978 GOES FORWARD, SAUDI PRODUCTION COULD SWING BETWEEN 3 AND 16 MILLION BBLS/DAY, GIVING SAUD ARABIA ALMOST UNLIMITED TECHNICAL IF NOT POLITICAL POWER INSIDE OPEC. THERE APPEAR TO BE (RATHER STRANGELY) NO PLANS TO CUT BACK ON THE EXPANSION PLAN.

3. COMMENT: SAUDI ARABIA IS PROBABLY THE ONLY OPEC COUNTRY WHICH STILL COULD CUT BACK PRODUCTION BY A LARGE AMOUNT WITHOUT BEING HURT. PRESSURES ON IT FROM THE REST OF OPEC, SHOULD THERE BE FURTHER REDUCTIONS IN CONSUMPTION IN THE CONSUMING NATIONS, WILL CERTAINLY GROW.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975JIDDA03578
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750176-1122
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750536/aaaabgoc.tel
Line Count: 88
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2003 by ShawDG>; APPROVED <09 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MINIMUM SAUDI OIL PRODUCTION
TAGS: ENRG, SA, US, OPEC, (NAZER, HISHAM)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006